



PORTUGAL FOR EXPATS: LESS TAX AND INVESTOR'S VISA

Portugal has many advantages to commend it: great climate, delicious food, wonderful beaches, and a rich cultural past. From a business point of view, it has improved leaps and bounds as red tape has softened considerably: incorporation of companies can take as little as a day, licensing regimes have eased their requirements, and the buying and selling of real estate follow much simpler procedures.

It's also safe to say that moving into Portugal has never looked better thanks to new tax and immigration rules. The former applies to non-residents in Portugal for the past 5 years; the latter for non-EEE expats.

No tax or flat fee tax

Law-Decree 249/2009, of September 23, has created a new category of

taxpayers: the non ordinarily resident. Individuals who have not been Portuguese residents and taxed as such for the past five years may qualify for this new regime and keep this status for a 10-year period, which can be renewed.

Expats must work in a high value added activity of a scientific, artistic or technical nature. Pursuant to Ministerial Order 12/2010, of January 7, the following categories may apply: actors, architects, artists, auditors, college professors, company managers and directors, computer technology and data processing professionals, dentists, doctors, engineers, musicians and scientists. Sportspersons, however, are absent from the list and cannot benefit from the regime.

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So what are the advantages? On the one hand, foreign sourced passive income (interest, dividends, capital gains, income from real estate and pensions) is exempt provided that such income:

- a) is taxed in the source State according to the relevant DTT;
- b) does not arise from a Portuguese source as per the IRS Code (Income Tax Code); and
- c) the source State is not included in Portugal's list of tax havens.

On the other, foreign source active income (employment or self-employment income and royalties), is also exempt when the above conditions are met. Finally, income derived from the taxpayer's activity in Portugal, or when the above conditions for foreign source income are not met, will be levied at a flat rate of 20%.

It's worth noting that high earning

individuals would fall in the higher income brackets, which presently reach a rate of 48%, so a flat rate of 20% proves to be an extremely attractive opportunity.

Investor's Visa

Non-EEE nationals can now benefit from a faster way to take up Portuguese residency. Law 29/2012, of August 9, introduced the Golden Residence Permit, which can render an investor eligible for the Programme if one of the following conditions is met:

- a) Minimum capital investment of € 1,000,000 (this also includes investment in shares);
- b) Creation of at least 10 jobs;
- c) Acquisition of property for a minimum amount of € 500,000 (with no liens or encumbrances).



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The first condition can be met merely by demonstrating that the investment has been executed for which the applicant will have to produce: 1) a declaration from a financial institution operating in Portugal attesting to the effective transfer of capital; 2) a certificate of good standing proving the property of the shares; 3) a declaration from the Exchange Commission or financial institution, if the company is listed; or a declaration from the company's directorship plus the company's certified annual report and accounts, if it isn't.

For the second condition, all the employees must be registered with the Social Security so the applicant will need to produce a fresh certificate proving said registration.

As regards the acquisition of property, the condition can be met if the investment is executed alone or with other co-owners, as long as the applicant's share is of at least € 500,000. The applicant will have to prove his investment with a property deed or a promissory agreement and a fresh certificate from the Land Registry.

Investors should bear in mind that they must keep their investment for a minimum period of 5 years since the permit is issued. When renewing the permit (every 2 years), investors can be asked to prove a minimum residence of 7 days during the first year and 14 days during the second or successive years.

More information

If you're interested in knowing more about either situation please contact our Lisbon office:

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